

## Message Text

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PAGE 01 LONDON 01040 201226Z  
ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 SAB-01 NEA-10 AID-05 CIAE-00  
COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02  
OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05  
SS-15 STR-04 CEA-01 L-03 H-01 /105 W  
-----202025Z 113762 /42

R 201209Z JAN 77  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC 9674  
TREASURY DEPT WASHDC

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DEPARTMENT PASS FEDERAL RESERVE BOARD

E.O. 11652: N/A  
TAGS: PN, KU, ETRD, UK  
SUBJECT: GOP KUWAITI DINAR BOND ISSUE

REF: STATE 8117

1. FINANCIAL ATTACHE DISCUSSED PANAMANIAN KUWAITI DINAR BOND ISSUE WITH OLD FRIEND AT MERRILL LYNCH INTERNATIONAL BANK. SOURCE REPORTS MERRILL LYNCH BELIEVES THAT GIVEN PRESIDENT CARTER'S DESIRE TO ARRIVE AT A SATISFACTORY MODUS VIVENDI WITH PANAMA OVER THE CANAL, THIS MUST MEAN THAT PANAMANIAN FOREIGN EXCHANGE INCOME WILL INCREASE THROUGH LARGER SHARE OF THE TOLLS. THIS COULD TRANSFORM PANAMANIAN ABILITY TO BORROW AND BE A SIGNIFICANT RELIEF TO PANAMA'S INTERNATIONAL DEBT BURDEN.

2. SOURCE EXPLAINED THAT PANAMANIAN DEBT IS READILY ACCEPTABLE IN THE SYNDICATED BANK LOAN MARKET, BUT HAS THUS FAR RECEIVED A COLD SHOULDER IN THE FIXED RATE EURO-BOND MARKET WHICH GENERALLY LOOKS FOR A TRIPLE-A RISK.

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ON THE OTHER HAND, THE SMALL MIDDLE EAST BOND MARKETS ARE PLAYING AN INTERESTING AND USEFUL ROLE. THE ARABS REALIZE THAT IF A RISK IS GOOD ENOUGH FOR THE MAJOR INTERNATIONAL BANKS, IT SHOULD BE GOOD ENOUGH FOR THE ARAB FIXED RATE MARKET. THE AMOUNT RAISED WHILE NOT AS MUCH AS HOPED INITIALLY IS NONETHELESS RESPECTABLE AND REPRESENTS THE FIRST PANAMANIAN ISSUE IN YEARS NOT SECURED BY A

PLEDGE AGAINST PANAMA CANAL TOLLS.

3. SOURCE SAID AT LEAST ONE OTHER SIMILAR ISSUE IS IN THE PIPELINE NOT FOR PANAMA, BUT FOR ANOTHER LATIN AMERICAN COUNTRY WHICH HAS LONG BEEN ABSENT FROM THE FIXED RATE MARKET.

4. SOURCE ADDED THAT MERRILL LYNCH OWNS THE LARGEST COMPANY IN PANAMA IN TERMS OF CAPITAL ON THE BALANCE SHEET AND HAS RECENTLY TURNED THAT COMPANY INTO A BANK.

5. COPY OF PROSPECTUS WILL BE SENT TO ARA/PAN PER REFTEL.

6. WARREN HUTCHINS, MANAGING DIRECTOR OF MERRILL LYNCH INTERNATIONAL BANK IN LONDON, WILL BE IN NEW YORK NEXT WEEK EN ROUTE TO PANAMA. HE IS WILLING TO DISCUSS THE PANAMANIAN ISSUE SHOULD ARA/PAN WANT TO CALL HIM. HE CAN BE REACHED IN NEW YORK ON (212) 766-5645, AND WILL BE SITTING IN AN OFFICE NEXT TO MR. HARRY ANDERSON.

7. DEPARTMENT PLEASE REPEAT OTHER POSTS IF DESIRED.

ARMSTRONG

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** SALES, GOVERNMENT BONDS, INVESTMENT PROGRAMS, LOAN GUARANTEES, TOLLS, GOVERNMENT REVENUES  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Enclosure:** n/a  
**Executive Order:** N/A  
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**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
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**Reference:** 77 STATE 8117  
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**TAGS:** ETRD, PN, KU, UK  
**To:** STATE TRSY  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
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